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ABSTRACT

One of the major challenges facing most departments of business administration is international business, a field that warrants expansion because of the world economy and because it is of increasing importance to most countries. One of the goals of any international business curriculum must be to establish awareness and understanding of the cultural environment of multinational business. Ignorance of cultural differences is not just unfortunate, it is bad business, and it entails possible disastrous consequences. Culture includes language, religion, values and beliefs, customs, legal and political traditions, status and social relationships, and material symbols. International managers need a conceptual scheme to analyze relevant cultural differences in all of these areas and techniques for solving problems resulting from them. Mount Union College in Ohio has developed an interdisciplinary international business major to address all of these areas. It exposes students to the available technology, theory, and practices for situational analysis. A final written project and a special problems course, conducted in the foreign language and emphasizing the importance of cross-cultural communication and access to the host culture, are features of the curriculum. A brief description of each aspect of the program, including the credit allotment, is included. (MSE)

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INTERCULTURAL ASPECTS
OF MULTINATIONAL BUSINESS

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Intercultural Aspects of Multinational Business

There is ample evidence that the United States today faces a "knowledge gap." This deals with our knowledge of the now shrunken world and our competence to deal with it.

Like it or not, America is involved in the world. Nationally, one out of every eight manufacturing jobs depends on exports. One out of every three dollars of U. S. corporate profits is derived from international activities. Exports of American goods and services contribute nearly \$200 billion to our gross national product. Significantly, our fastest growing export markets are in the developing world, about which we know least as a people.

Indeed, there is a paradox, at a time when neither we nor any other nation in the world can go it alone even if we wished, our understanding of this fact and our preparation to live in such a world seem notably inadequate. By temperament and training, we Americans are not well equipped to deal with our new situation. We are thrown into contact and conflict with peoples whose history and motivations we scarcely understand.

Can we, for example, comprehend the new forms of political change, quite distinct from Western models, that are evolving before our eyes? Or, how many educated Americans--aside from a few scholars--appreciate in even the vaguest way, the dynamism and values of Islamic cultures? Worse still, few of us speak anyone else's language. The 1979 report of the Presidents' Commission on Foreign Language and International Studies (known

as the Perkins Commission) indicated that only 8% of U.S. colleges and universities had a foreign language entrance requirement compared to 34% in 1966 and an astounding 85% in 1915.¹

Language per se certainly does not mean automatic understanding of other societies, but its virtual absence in our curricula may be symptomatic of how we view the world.

The Perkins Commission raised the important question: How well equipped are we to make an effective response to our new situation?

The fact of the matter is that we seem woefully unprepared to respond effectively. Consider:

- only one in twenty undergraduates enrolls in courses dealing with foreign peoples and cultures.
- only about one percent of college and university faculty members go abroad each year.
- fewer than 2% of high school graduates have any foreign language competence.

Our "scandalous incompetence in foreign languages" as James Perkins wrote, affects our foreign affairs. For example, few of the U. S. foreign service officers in Iran were minimally proficient in Farsi, the main local language during the revolutionary year of 1978, and few foreign service officers speak Chinese or Japanese at truly useful levels.²

After completing twelve years of primary and secondary schools and even another four of college, many Americans begin their professional lives without having completed a single course directly related to the international problems which their

generation must face.³

Prior to World War II, the number of firms involved in foreign direct investment was relatively small. Although several U. S. companies were obtaining raw materials from other countries, most firms were only interested in the U.S. market. This changed, however, during the 1950's especially after the creation of the European Economic Community. Since that time there has been a rapid expansion in international business activity.

The majority of the world's large corporations now performs an increasing proportion of their business activities outside of their home country. For many of these companies, international business returns over one-half of their profits, and as Table 1 indicates, it is becoming more and more common for a typical corporation to earn at least one-fifth of its revenues through international business involvement. In fact, it is now rather rare for any large firm not to be a participant in the world of international business. (See Table 1)

One of the major challenges facing most Departments of Business Administration in the 1980's and 1990's is what to do about international business. It is an area that warrants consideration for expansion because of the forces at work in the world today. Consider:

1. The substantial economic and industrial growth experienced by many industrial nations and some less developed countries.
2. The competitive aggressiveness of some countries in the international market.

Table 1

U. S. Multinational's Foreign Activity 1983

Company	Foreign Revenue (\$ million)	Foreign Revenue Percent	Foreign Assets Percent
Exon	68093	73%	62%
Gulf	12484	44%	47%
Standard Oil, Calif.	11191	40%	32%
Dupont	9546	27%	28%
Standard Oil, Indiana	5902	20%	34%
Sun Company	4441	29%	35%
Xerox	2776.3	33%	39%
Tenneco Inc.	2203	15%	14%
Texaco	1788	55%	54%
Signal Companies	1604	26%	11%
Chrysler	1598.3	12%	18%
International Paper Co.	763.3	13%	28%
Alcoa	670.6	13%	12%
Abbott Laboratories	668	23%	29%
Champion Spark Plug	251.1	33%	38%

Source: Annual Reports.

3. The integration of European nations into a powerful and successful community.
4. The collusion of oil-producing countries into an effective price setting entity.
5. The appearance of the People's Republic of China as a new open market for trade and investment.
6. The continued balance of trade and payments deficits of the U. S.
7. The success of the Eurodollar market in channeling hundreds of billions of dollars into the international financial market.
8. The growing interest of U. S. businesses in promoting and expanding their sales and investments in the international market.

International business is of great importance in most countries and that importance continues to grow. The challenge of business programs over the next decade is to undertake changes in their curriculum to meet the demand for increased knowledge in the areas of international marketing, management, accounting, and finance.

Several groups of experts have made studies of what is being done, or what should be done concerning this challenge.

1. The American Assembly of Collegiate Schools of Business recognized the need for increased treatment of international business when it altered its accreditation standards to require that curricula of business schools reflect worldwide, as well as

domestic, aspects of business.⁴

2. Former President Carter appointed a 25 member commission to evaluate the role of universities in preparing students in foreign languages and international studies. The findings of the commission were published in a study "Strength Through Wisdom, A Critique of U. S. Capability." In brief, their recommendation was that it was up to the colleges and universities to extend and improve their curricula in meeting the growing needs in foreign languages and international business.⁵
3. The need for additional teaching of international aspects of business was reflected also in a survey of business leaders' attitudes conducted by Lee Nehrt. Ninety percent of business leaders included in the survey responded that, "Most business firms, domestic as well as multinational corporations will be affected directly or indirectly by economic and political developments in the international scene and most businessmen will, therefore, need an ability to understand and anticipate those effects."⁶ This attitude is further supported by the findings of the 1983 report of the American Council on Education entitled "America's Competitive Challenge: The Need for a National Response."

We now live in a world in which the economies of nations are closely intertwined because of the international transactions of

both large and small multinational corporations. Present-day graduates of business schools may well establish their careers in multinational corporations, and those who do not will surely have to deal with multinational corporations in one way or another. Therefore it is imperative that business graduates have a good understanding of how multinational corporations operate and of the nature of the managerial tasks in such enterprises.

One of the goals of any international business curriculum must be to establish an awareness and understanding of the cultural environment of multinational business. The importance of understanding the cultures of countries in which a company operates--as well as the similarities and differences between those cultures--becomes clear when one looks at the multitude of blunders international executives have made because of insensitivity to cultural differences. Investigators who have studied the performance and problems of corporations and individuals abroad have concluded that it is usually the human problems associated with working in a different culture that are likely to be critical in the success or failure of their endeavors. Analysis of problems and failures abroad have shown that the techniques, practices, and methods that have proved effective in one country may not work as well in another country; one dominant interfering factor is culture. Management practices that are suited for one cultural environment may bring about undesirable, perhaps terrible consequences in another culture. In international business dealings, then, ignorance of cultural differences is not just unfortunate--it is bad business. A manager must recognize the

cultural imperatives abroad and make appropriate changes in his or her own interpersonal behavior and managerial practices.

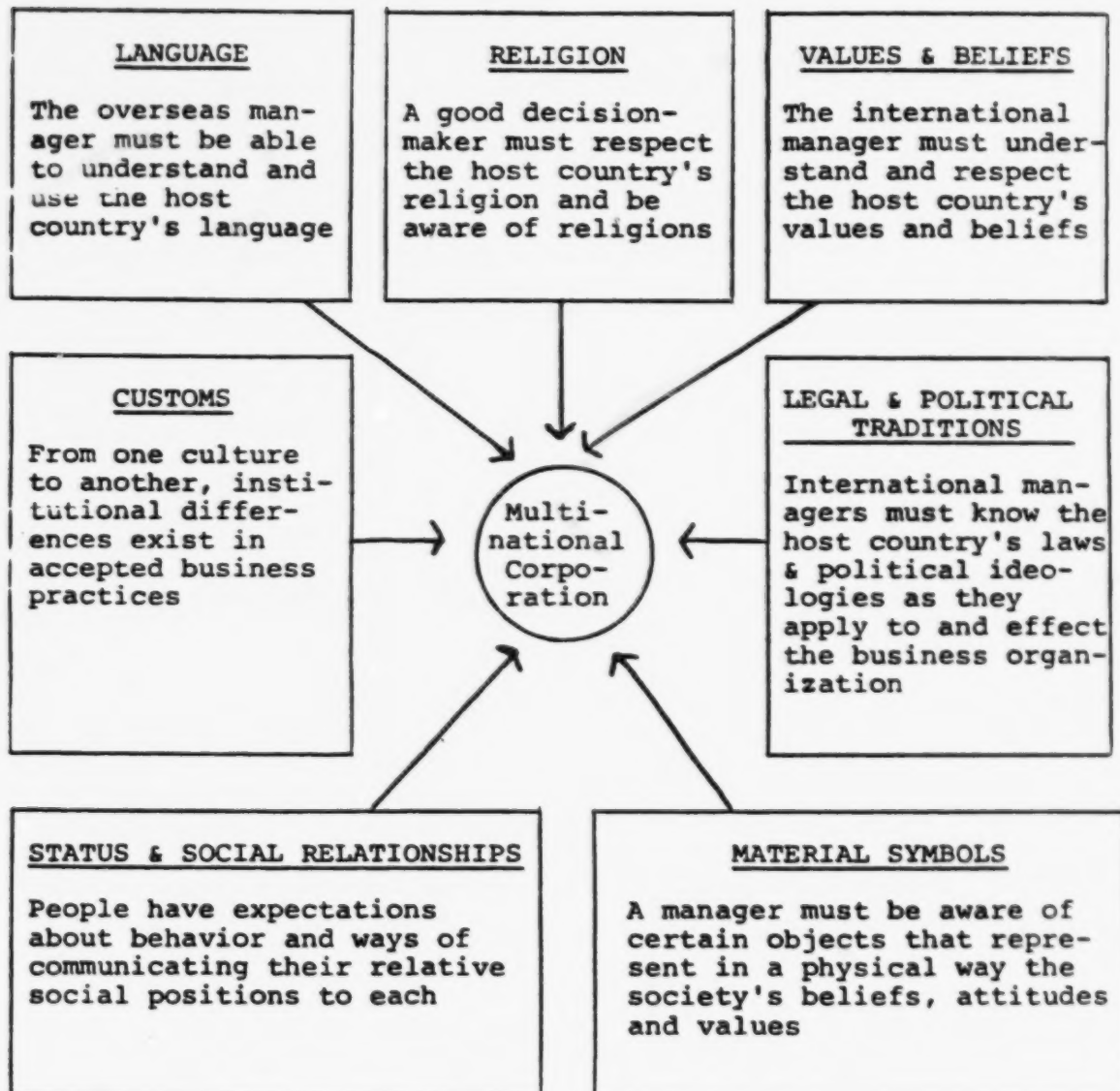
International managers can face many problems in a foreign host country because of cultural differences. A nation's culture is made up of its language, religion, values and beliefs, customs, legal and political traditions, status and social relationships, and material symbols. (See Table 2)

Managers must know the host country's language so that they can communicate with employees, understand and recognize idiomatic interpretations and also show respect for the host country. Overseas workers are insulted when an American manager not knowing their language is rotated in for a one-year tour of duty. Language translation is also a problem in advertising. In West Germany 3-M's slogan "Sticks Like Crazy" becomes "Sticks Foolishly"; General Motors' "Body by Fisher" emerges as "Corpses by Fisher" and in Spain, Chevrolet's Nova did not sell because in Spanish No-Va means doesn't go.

The international manager must also be sensitive to the importance of the host country's religious customs. In some countries, people of different religions do not care to associate with each other. An unaware or unthinking manager who mixes such people will have problems. Depending on their religions, people may place high or low value on material possessions, may gain satisfaction in different ways, or may place different value on the worth of the individual. All these areas are of concern if effective personnel management is to be achieved.

Many American companies have tried to do business in other

Table 2. The Cultural Environment of International Business



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countries without considering the variations in cultural values and beliefs from nation to nation. Companies have and will continue to lose business opportunities because managers have not been sensitive to the social standards, values and beliefs of the people they deal with. Identifying these characteristics will help managers develop new products, see new ways of selling existing products and alter their managerial skills to best utilize and support these employees attitudes.

An international manager is in danger of making many blunders if he is unaware of the host country's customs. Americans occasionally shake hands with the left hand, if the right hand is otherwise occupied. In some Arabic countries that gesture is an extreme insult. In some Moslem countries it is against the law to put your arm around your spouse's shoulders in public; whereas, in Spanish countries the acceptable greeting between men is an embrace. In Northern Europe, the custom is to arrive before the scheduled time of a business appointment. In Eastern countries, however, the appointment may often begin an hour or two after it is scheduled. Since managers cannot and should not change these customs, they must adapt to them.

Legal and political traditions are based on cultural values as each society codifies its strongly held customs into a formal body of law and governmental rule. For example, a bribe may be very illegal at home but only slightly illegal (and very expected) abroad. A manager may choose one decision over another depending on the assessment of the nation's political stability or uncertainty. If the nation has a history of revolutionary governments

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that take over foreign companies, an American Company would have to foresee a very high return on investment before investing much capital in that nation.

Status relationships and social interaction patterns have considerable impact on many managerial decisions. For example, in some parts of the world, managers may have to modify personnel practices in order to prevent employees of different castes from working together--or worse yet--to keep a lower-caste employer from supervising an employee of higher caste. The current U. S. movement to promote female managers may create problems in the international divisions of multinational corporations. Females are often relegated low status abroad, and a female executive would be unthinkable in some countries.

The last culturally based variation to which these multinational managers must be sensitive is material symbols. A society's material culture includes those things, whether computers or totem poles, that people feel represent themselves. A tractor factory in a foreign country might fail because the farmers don't trust something that is not alive. Some people in lesser developed nations have difficulty understanding and fear industrial equipment and advanced technology. An organization wishing to hire these people must change their orientation from farm to factory and break down their fear of automation.

An international manager needs a conceptual scheme to analyze cultural differences between his native culture and the foreign culture. Any program that is developed to internationalize a curriculum must deal with the cultural as well as the

international dimensions and problem solving techniques unique to international businesses. An international program must be designed to expose students to the various dimensions of cultural differences and international business methodology in the following areas:

- I. Problem Solving Techniques. Each student must understand the basic concepts in the areas of marketing, management, accounting and finance and the tools for analysis available in each of these disciplines.
- II. International Economics. A basic understanding of economics and the differences that exist when we examine the economic systems that are present across the world is essential.
- III. Social Institutions and the Legal and Political Traditions. A future multinational manager must understand the business, legal, political and social class natures that influence the behavior of individuals in their host country.
- IV. Religious Aspects. Elements such as religion and superstitions have a profound impact on the value and belief system of individuals; therefore, an international business student must become aware of these areas.
- V. International Business Dimensions. Students need to integrate international aspects of multinational business with the knowledge of a foreign

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language and cultural aspects in order to obtain an overall view of the host country and its people.

VI. Customs and Aesthetics. A multinational business manager must be acquainted with the art, folklore, music and drama of a culture.

VII. Language. One needs more than the ability to speak a language. One also needs the competency to recognize idiomatic interpretations. Thus the international manager can not take for granted that he or she is always communicating effectively in another language.

Let us now examine Mount Union College's interdisciplinary major in International Business and how it meets these seven major areas of concern.

	<u>Semester Hours</u>
I. Problem Solving Techniques.	
Principles of Management	3
Principles of Marketing	3
Corporate Finance I	3
Elementary Accounting I & II	6
	<u>15</u>

These courses are designed to acquaint the student with the current state of technology used to analyze situations which arise in businesses. Students are exposed to a variety of theories and practices currently followed in the areas of finance, accounting, marketing and management. These form a basis of their study in international business.

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II. International Economics.		<u>Semester Hours</u>
Introduction to Economics		3
International Economics		3
Comparative Economic Systems		<u>3</u>
		9

Courses in the international economics area expose the student to a variety of international as well as domestic economic concerns and how they impact decision making on all levels of business management. Students will also develop an appreciation of economic systems different from ours and an understanding of how these systems operate.

III. Social Institutions and the Legal and Political Traditions.

Introduction to World Politics	3
International Institutions	3
Comparative Politics	<u>3</u>
	9

Courses in this area discuss the interrelationships between the political, economic and social systems in various countries. Students will begin to realize the many variations and the degree of interaction that exists between these systems throughout the world.

IV. Religious Aspects.

Contemporary International Concerns	3
Nonwestern Culture	<u>3</u>
	6

Elements such as historical growth and religious concerns of various nationalities are dealt with in courses taken in this area.

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		<u>Semester Hours</u>
V. International Business Dimensions		
Seminar in International Business		3
Special Problems (German, French, Spanish)		<u>3</u>
		6

The international Business Dimension is best dealt with in two ways. First, the seminar in International Business deals with the different techniques and systems of analysis used by multinational companies. It discusses differences and similarities and builds on the concepts discussed in the problem solving techniques area by adding the international dimension. The second course, Special Problems, deals with concerns in the foreign country and is taught in the foreign language.

The Customs and Aesthetics and Language Areas are met by the following foreign language courses:

VI. Customs and Aesthetics

Intro. to Culture (German, French Spanish)	<u>4</u>
	4

VII. Language

Communicating in (German, French, Spanish)	3
Either Spoken (German, French, Spanish)	4
Or Advanced (German, French, Spanish)	<u>3</u>
	6 or 7

Introduction to Culture exposes the student to the Aesthetic Dimensions of the foreign culture. This is an intermediate level foreign language course. A grammar review is included and ample opportunity for use of the spoken language is provided, but the

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major emphasis is on studying the culture of the target language. Aspects of culture included in this course are heritage of the foreign culture; daily life patterns; aesthetic, religious, social, and political aspects of the culture; and contemporary influences of the foreign culture in the United States.

The basic culture text, selected at the discretion of the instructor, is supplemented by newspapers and periodicals available in the library and assigned readings on topics selected by the professor and/or students. In-class discussions are related to assigned lessons and based on given sets of questions related to the assigned readings. An oral composition on the topic of the lesson presented by a student volunteer serves as an individual follow-up exercise. Cultural contrast exercises are also used to highlight, compare, and contrast behaviors which occur in the foreign culture. Students role-play a cultural scene then discuss the behavioral point in question. On occasion simulation games are utilized to enhance levels of awareness on how to cope in a foreign community.

In the area of language skills these courses are available to the student: communicating in French/German/Spanish [hereafter Fr/Gn/Sn] and either Advanced Fr/Gn/Sn or Spoken Fr/Gn/Sn. Communicating in Fr/Gn/Sn is an intermediate conversation class which emphasizes communicative competence in the foreign language. In addition to daily assigned activities, students are required to spend an additional one hour per week in the language laboratory working on exercises assigned in the laboratory manual which accompanies the basic text. Class time is divided into two parts:

the first 35 minutes are devoted to teacher-directed discussion or oral activity related to the assigned lesson, and the last 15 minutes are devoted to oral activities prepared by the students and/or grammar review as it relates to the lesson being studied.

Spoken Fr/Gn/Sn is an upper level course conducted entirely in the language. This course emphasizes the contemporary spoken foreign language and allows the student to put into practice his/her knowledge of grammar and vocabulary. Each Spanish class, for example, begins with the question: ¿Qué pasa en el mundo? [What's happening in the world?] This question impells the student to read daily newspapers and to develop a vocabulary which deals with current events. Topics of cultural and contemporary interest serve as the basis for discussions. Student leaders are expected to prepare, guide, and moderate discussions at least twice per semester. Other class activities include pronunciation drills, exercises in problem solving, debates, role-playing, and interviews.

Two final projects are required of the students in the Spoken course: a lengthy, individual oral presentation and a group project. The topic for the individual presentation is selected by the student and must have the instructor's approval. In past years as a group project the Spanish classes have performed short one-act plays and written their own play based on stories they may have read. The most recent "production" was a dramatized interpretation of Crónica de una muerte anunciada by Gabriel García Márquez, Nobel Prize Winner for Literature in 1983.

The student is also expected to spend one-hour per week in the laboratory using assigned tapes which accompany the text used as a drillbook for pronunciation.

Advanced Fr/Gn/Sn concentrates on grammar and composition. This course is an intensive comprehensive course designed to improve written language habits and to develop a sense of style. In addition to assigned daily exercises, students are required to submit five translations from the foreign language into English, five translations from English into the foreign language, and five original compositions on a topic of the student's choice. An attempt is made to tailor these assignments according to each student's interests.

A final written project is also required. This project can be a research paper in the foreign language, an original short story, a translation, or an original project designed and developed by the student. Students who are not foreign language majors are encouraged to select a topic related to their major field of interest.

Finally, in addition to being a part of the International Business Dimension, the Special Problems course is the culminating experience for the interdisciplinary major in business and economics. Designed to integrate the student's knowledge of the foreign language, the target culture, and business, it serves as a complement to the Seminar in International Business. Taught as an individual investigation in special topics, it is conducted in the foreign language, and all assignments are written in the target language.

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One of the main objectives of the course is to raise the student's level of awareness to cross-cultural communication. Prior to this point in time, the student has concentrated on language as what people say. In this class students are alerted to non-verbal communication. For this reason a variety of variables in human behavior which can be generalized to the foreign culture are studied. As a culmination exercise for for this objective, the student is required to write an analysis or reaction paper to cross-cultural awareness studies responding to the following points: (1) the specific levels of awareness raised for the student as they relate to cross-cultural communication; (2) how miscommunication might best be resolved; and (3) the importance of knowledge of the "silent" language in communicating with people. Other thoughts and observations are also to be included.

The remainder of the course emphasizes the conduct of business in the foreign culture. First of all, case dialogs between a sales representative and his manager are studied and analyzed. Graded case studies are then prepared for discussion, role-playing, and written exercises. Depending on the interests and objectives of the students, these case studies are developed beyond basic comprehension levels.

Practical exercises in the use of the commercial foreign language are also included. These exercises are intended to furnish those students who are familiar with basic principles of grammar with the fundamentals of a practical, commercial language, especially in the fields of advertising, foreign trade, transportation, banking, and finance.

In addition, this course requires two other projects: one which is a cross-cultural exercise and another which integrates foreign language skills and the student's knowledge of business. The cross-cultural exercise is divided into 5 phases: scouting, access, exploration, interaction, and termination. Each phase takes approximately two weeks and is followed by a discussion exploring problems encountered, concepts discovered, and plans for the following phase.

During the scouting phase, the student is expected to observe a sub-cultural group unfamiliar to him/her without participating in the life of the group. The purpose of this observation period is to see how people in this group relate to one another and to outsiders and to come up with a plan for gaining access to the group based on the student's observations.

During the access phase the student is expected to gain access to the host culture in an acceptable way. The goals of the exploration phase are to discover the interests, concerns, and concepts of the host community. At this time students are encouraged to read Edward T. Hall's Silent Language, Chapters V and VI, and advised to "put themselves in the other guy's shoes."

The next phase is the interaction phase. During this phase the student is expected to communicate and interact with the host culture. Values, beliefs, attitudes, patterns of authority, etc., are to be explored.

The final phase is the termination phase. During this period the student has to inform his host culture that he/she would not be seeing them anymore. During this stage, the student

is forced to concentrate on unanticipated behavior patterns because of the ensuing separation.

Following the final discussion the student is required to write a paper summarizing the whole process and evaluating the experience in terms of its value for real communication.

The second project is the preparation of a report by the student. In this report the student is expected to present a problem found in his area of interest in the business world, provide background information of the problem, discuss the importance of the problem to his area of business, suggest possible solutions or remedies to the problem, select a solution, discuss the rationale for selecting this solution, describe in detail its implementation, and project results or conclusions. The report is expected to be presented in a format appropriate to that which a business executive would expect from his employee.

Such a program as just described could be a very low cost program, especially if the college or university already offers degrees in business administration, foreign languages and the liberal arts. The changing position of the United States in the global environment coupled with the past failure of academic institutions to emphasize international business warrants that serious consideration be given to the establishment of international business programs.

NOTES

¹ United States, President's Commission on Foreign Languages and International Studies, Background Papers and Studies (Washington, D.C.: Government Printing Office, November 1979) 7.

² IBID

³ Paul Simon, The Tongue-Tied American (New York: The Continuum Publishing Co., 1980).

⁴ AACSB, Policies, Procedures, and Standards (St. Louis, MO: American Assembly of Collegiate Schools of Business) 1978-1979, 34; 1980-81, 33.

⁵ United States, Strength, Through Wisdom: A Critique of U. S. Capability (Washington, D.C.: Government Printing Office).

⁶ Lee Nehrt, Business and International Education (Washington, D.C.: American Council on Education, May 1977) 2.

⁷ American Council on Education, America's Competitive Challenge: The Need for a National Response. (Washington, D.C.: American Council on Education, 1983).